



**To:** John Allore, Budget and Management Services

**From:** Martha Zeigler, Department of Water Management

**Date:** May 12, 2015

**RE:** Leesville Road/Andrews Proposed Annexation

**OVERALL IMPACT:**

The Department of Water Management sets rates and fees to recover operational costs and to provide current and future infrastructure necessary to supply water and wastewater for the City and surrounding service area. Any revenues not expended on operations and maintenance are accumulated to provide funding, including debt service, required to repair, rehabilitate, replace, and/or expand capacity of infrastructure.

Below is a table of net contribution of revenues over expenditures to the CIP program. Being an Enterprise Fund, any excess revenues from water and sewer services do not impact the General Fund or tax rates.

The operational expenditures may be considered short term operating. The long-term or life-cycle expenditures for this and any other project may be reasonably determined by contributions to capital improvement projects from both rates and one-time capital facility fees which cover not only repair and maintenance for the pipe in the ground contributed by the developer, but also include all the other connecting infrastructure as well as the treatment plants that provide water and sewer treatment services.

Any changes in short and long-term life cycle costs will be managed by adjusting rates and facility fees based on actual performance data. Therefore, there is no anticipated impact on the Department from this annexation as the quantity of anticipated new customers is not material enough to impact the level of service in any material way. There is also no anticipated impact on compliance issues, regulatory requirements, master plans, or other overarching concern.

**NET CONTRIBUTION TO WATER AND WASTEWATER CIP**

YEAR	INSIDE	OUTSIDE
<b>FY2015-16</b>	<b>\$51,031</b>	<b>\$61,282</b>
<b>FY2016-17</b>	<b>\$105,694</b>	<b>\$137,368</b>
<b>FY2017-18</b>	<b>\$113,071</b>	<b>\$158,077</b>
<b>FY2018-19</b>	<b>\$120,882</b>	<b>\$167,445</b>
<b>FY2019-20</b>	<b>\$49,113</b>	<b>\$199,288</b>
<b>FY2020-21</b>	<b>\$28,750</b>	<b>\$134,999</b>
<b>FY2021-22</b>	<b>\$29,613</b>	<b>\$117,213</b>
<b>FY2022-23</b>	<b>\$30,501</b>	<b>\$120,729</b>
<b>FY2023-24</b>	<b>\$31,416</b>	<b>\$124,351</b>

**ADDITIONAL REVENUE:**

As evidenced by the table above, the Department of Water Management would realize additional revenue from outside City rates. These funds would be used for capital projects and debt service.

In addition, the City would receive one-time revenues from Capital Facility Fees paid to connect to the City Water and Sewer System. These fees would be deposited into the CIP program.

**COSTS BEYOND THE BUILDOUT TIMEFRAME:**

There are no anticipated significant cost, revenue, or regulatory issues associated with this particular development or area.

**METHODOLOGY AND DATA SOURCES:**

To calculate revenues, the average consumption for the City's residential customers was used, along with the assumption of 5/8" meters.

The percentage of operational costs versus capital costs was estimated based on factors in the rate model used by the Department.

These calculations are based on the determination by Public Works that these properties are in a basin where the City will be providing water and sewer services.

**IMPACTS ON EFFICIENCY AND EFFECTIVENESS:**

As new infrastructure, the initial impact will be an increase in efficiency as there will be little repair and maintenance cost. However, this will change as the infrastructure ages. The annual recalibration of water and sewer rates based on anticipated operational and capital needs is anticipated to be able to accommodate this project without noticeable adverse impact on level of service or rates.

**OTHER RELEVANT CONCERN:**

None known.